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**WATER WORKS DISTRICT NO. 1, WARD 1  
CALCASIEU PARISH, LOUISIANA  
MOSS BLUFF, LOUISIANA**

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**FINANCIAL STATEMENTS  
JUNE 30, 2001 AND 2002**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/29/03

**WATER WORKS DISTRICT NO.1, WARD 1,  
CALCASIEU PARISH, LOUISIANA  
MOSS BLUFF, LOUISIANA  
FINANCIAL STATEMENTS AT JUNE 30, 2001 AND 2002**

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CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS  
109 CAMELLIA  
P.O. Box 2069  
ORANGE, TEXAS 77631  
TELE: (409) 883-3350  
FAX: (409) 883-7904

JOEL E. STEIRMAN, CPA  
JANE M. WHITFIELD, CPA

swcopc@exp.net

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Water Works District No. 1, Ward 1  
Calcasieu Parish, Louisiana  
Lake Charles, Louisiana


We have audited the accompanying general purpose financial statements of Water Works District No. 1, Ward 1, Calcasieu Parish, Louisiana, as of June 30, 2002 and 2001, and for the years then ended as listed in the table of contents. These general purpose financial statements are the responsibility of Water Works District No. 1, Ward 1, Calcasieu Parish, Louisiana. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Water Works District No. 1, Ward 1, Calcasieu Parish, Louisiana, as of June 30, 2002 and 2001, and the results of its operations and the cash flows of its proprietary type unitary fund for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Governmental Auditing Standards*, we have issued our report dated November 18, 2002 on our consideration of Water Works District No. 1, Ward 1, Calcasieu Parish's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Statistical Section and the Louisiana Municipal Compliance Survey are not a required part of the financial statements of the district. This information has been subjected to the auditing procedures applied in the examination of the financial statements and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

  
Steirman, Whitfield, and Co. PC  
Certified Public Accountants  
November 18, 2002

**WATER WORKS DISTRICT NO. 1, WARD 1,  
CALCASIEU PARISH, LOUISIANA  
MOSS BLUFF, LOUISIANA**

**EXHIBIT A**

**COMPARATIVE BALANCE SHEETS AT**

**JUNE 30, 2001 AND 2002**

<u>ASSETS</u>	<u>2001</u>	<u>2002</u>
Current Assets		
Cash-unrestricted	64,231	66,130
Accounts receivable	215,658	264,214
Inventory-materials and supplies	44,579	69,723
Prepaid insurance	2,622	7,651
Interest receivable	4,689	1,629
Total Current Assets	<u>331,779</u>	<u>409,347</u>
Fixed Assets		
Land	205,911	241,779
Construction in Process	298,570	534,629
Depreciable assets	9,079,954	9,981,122
Less-Accumulated depreciation	<u>(3,540,769)</u>	<u>(3,765,862)</u>
Total Fixed Assets	<u>6,043,666</u>	<u>6,991,668</u>
Other Assets		
Cash-restricted	2,137,391	1,308,602
Bond issue costs	166,286	166,286
Less-Accumulated amortization	<u>(93,707)</u>	<u>(101,772)</u>
Total Other Assets	<u>2,209,970</u>	<u>1,373,116</u>
Total Assets	<u><u>8,585,415</u></u>	<u><u>8,774,131</u></u>
<u>LIABILITIES AND FUND EQUITIES</u>		
Current Liabilities		
Bonds payable (Note 2)	316,000	161,000
Accounts payable	12,850	41,374
Payroll and sales taxes payable	8,190	8,700
Interest payable	<u>42,896</u>	<u>33,211</u>
Total Current Liabilities	<u>379,936</u>	<u>244,285</u>
Long Term Debt		
Bonds payable (Note 2)	1,982,000	1,821,000
Other Liabilities		
Customer deposits	114,855	121,750
Due to State of Louisiana/Act 319	<u>1,106,008</u>	<u>1,106,008</u>
Total Other Liabilities	<u>1,220,863</u>	<u>1,227,758</u>
Total Liabilities	<u>3,582,799</u>	<u>3,293,043</u>
Fund Equity		
Unrestricted	2,844,363	3,332,380
Restricted	<u>2,158,253</u>	<u>2,148,708</u>
Total Fund Equity	<u>5,002,616</u>	<u>5,481,088</u>
Total Liabilities and Fund Equity	<u><u>8,585,415</u></u>	<u><u>8,774,131</u></u>

The accompanying notes are integral to these financial statements.

**WATER WORKS DISTRICT NO. 1, WARD 1,  
CALCASIEU PARISH, LOUISIANA  
MOSS BLUFF, LOUISIANA**

**EXHIBIT B**

**COMPARATIVE STATEMENTS OF REVENUE  
AND EXPENSES FOR THE YEARS ENDED  
JUNE 30, 2001 AND 2002**

	2001	2002
Operating Revenue		
Water Sales	1,591,896	1,564,639
Tapping, connection, and meter fees	99,495	105,894
Total Operating Revenue	1,691,391	1,670,533
Operating Expenses		
Production and distribution	416,332	474,509
General and administrative	377,362	424,254
Total Operating Expenses	793,694	898,763
Operating Revenue before depreciation	897,697	771,770
Depreciation	222,901	249,532
Net Operating Income after depreciation	674,796	522,238
Non-Operating Revenue		
Interest	108,340	41,824
Ad valorem taxes	201,083	5,511
Riverboat grant revenue	105,018	48,063
Total Non-Operating Revenue	414,441	95,398
Non-Operating Expenditures		
Interest on HUD Bonds	26,106	23,946
Interest on general obligation bonds	35,574	15,056
Interest on Refunding Issue	99,607	93,756
Loss on Disposal of Assets	--	6,406
Total Non-Operating Expenditures	161,287	139,164
Non-Operating revenue (Expenditures)	253,154	(43,766)
Net Revenue (Loss) for year	927,950	478,472

The accompanying notes are integral to these financial statements.

WATER WORKS DISTRICT NO. 1, WARD 1,  
CALCASIEU PARISH, LOUISIANA  
MOSS BLUFF, LOUISIANA

EXHIBIT C

COMPARATIVE STATEMENTS OF CHANGES IN  
FUND EQUITIES FOR THE YEARS ENDED  
JUNE 30, 2001 AND 2002

<u>2001</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Fund Equity June 30, 2000	2,081,922	1,992,744	4,074,666
Net Revenue or (Loss)	<u>762,441</u>	<u>165,509</u>	<u>927,950</u>
Fund Equity June 30, 2001	<u>2,844,363</u>	<u>2,158,253</u>	<u>5,002,616</u>
 <u>2002</u>	 <u>Unrestricted</u>	 <u>Restricted</u>	 <u>Total</u>
Fund Equity June 30, 2001	2,844,363	2,158,253	5,002,616
Net Revenue or (Loss)	<u>488,017</u>	<u>(9,545)</u>	<u>478,472</u>
Fund Equity June 30, 2002	<u>3,332,380</u>	<u>2,148,708</u>	<u>5,481,088</u>

The accompanying notes are integral to these financial statements.

**WATER WORKS DISTRICT NO. 1, WARD 1,  
CALCASIEU PARISH, LOUISIANA  
MOSS BLUFF, LOUISIANA**

**COMPARATIVE STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2001 AND 2002**

**Increase (Decrease) in Cash and Cash Equivalents**

	<u>2001</u>	<u>2002</u>
Cash flows from operating activities		
Cash received from customers	1,685,209	1,621,979
Cash paid to suppliers and employees	(786,965)	(891,838)
Net cash (used) provided by operating activities	<u>898,244</u>	<u>730,141</u>
Cash flows from non-capital financing activities		
Riverboat grant revenue	105,018	48,063
Transfer (to) from restricted assets	206,759	828,789
Net cash (used) provided by non-capital financing activities	<u>311,777</u>	<u>876,852</u>
Cash flows from capital financing activities		
Ad valorem taxed received	201,083	5,511
Capital expenditures	(1,051,291)	(1,203,941)
Interest paid	(169,952)	(142,443)
Principal payments on bonds	(291,000)	(316,000)
Increase in customer deposits	6,005	6,895
Net cash (used) provided by capital financing activities	<u>(1,305,155)</u>	<u>(1,649,978)</u>
Cash flow from investing activities		
Interest earned on investments	119,938	44,884
Net cash (used) provided by investing activities	<u>119,938</u>	<u>44,884</u>
Net increase in cash and cash equivalents	24,804	1,899
Cash and cash equivalents at beginning of year	<u>39,427</u>	<u>64,231</u>
Cash and cash equivalents at end of year	<u><u>64,231</u></u>	<u><u>66,130</u></u>

The accompanying notes are integral to these financial statements.



**EXHIBIT D****Reconciliation of net revenue to net cash provided by operating activities**

	<u>2001</u>	<u>2002</u>
Net operating income (loss) after depreciation	674,796	522,238
Adjustments to reconcile net revenue (loss) to net cash provided by operating activities:		
Depreciation and amortization	230,965	257,596
Miscellaneous fees received	--	--
Bad debt	3,396	6,640
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(6,182)	(55,194)
Increase (decrease) in accounts payable	(1,388)	28,524
Increase (decrease) in payroll and sales taxes payable	(128)	510
Decrease (increase) in inventory	(2,467)	(25,144)
Decrease (increase) in prepaid expenses	(748)	(5,029)
Total adjustments	<u>223,448</u>	<u>207,903</u>
Net cash provided by operating activities	<u>898,244</u>	<u>730,141</u>

**Disclosure on accounting policy:**

For purposes of the statement of cash flows, the Company considers all highly liquified debt instruments purchased with a maturity of three months or less to be cash equivalents.

The accompanying notes are integral to these financial statements.

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**WATER WORKS DISTRICT NO. 1, WARD 1,  
CALCASIEU PARISH, LOUISIANA  
MOSS BLUFF, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS AT  
JUNE 30, 2002 AND 2001**

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**Note 1.-Summary of Significant Accounting Policies:**

A. Entity. The Water Works District No. 1, Ward 1 of Calcasieu Parish is an independent district created by the Calcasieu Parish Police Jury in 1973 in accordance with section 3811 of the Louisiana Revised Statutes. The District's commissioners are appointed for five year staggered terms by the Calcasieu Parish Police Jury and serve at the pleasure of the Police Jury. The District has authority, as stipulated in the applicable Louisiana Statutes to set such rates as necessary and to provide potable water within its boundaries. The District is a corporate entity that can purchase land, sue and be sued. The Police Jury exercises no control over the finances, rates, or operation of the District as specified in the enabling statutes. The District is governed by its Board of Commissioners and the day-to-day operations are conducted by a Superintendent and staff who serve at the pleasure of the Board of Commissioners.

The Calcasieu Parish Police Jury recognizes the District as a component unit and the District's financial position and operations are an element of the Parish's Annual Financial Statements. The District has no component units as set forth in the Governmental Accounting Standards Board Statement 14.

B. The Budget is submitted by the Superintendent on an annual basis to the Commissioners for their approval each year in the month of April. The Board then publishes notices of public hearing and considers the proposed budget in public hearing. The budget is normally adopted at the regular June meeting. The budget document is both the financial plan for the ensuing year and formal authorization for the Superintendent to obligate the District as permitted by law. All items subject to bid are advertised upon approval of the Board and then processed as required by Louisiana Law. Budget amounts are not shown in these statements since they are not required by the Enterprise Fund type of accounting. The District did not violate any of its budgeted expenditures for the years ended June 30, 2002 and 2001. The budget may be amended by a simple majority at any meeting. There is no prior public or other notice required. The budget is amended as necessary to demonstrate fiscal integrity and the source of funding of any change.

C. The District uses the Enterprise Fund type. This means that the operations of the District are accounted for like a for-profit, private company. The purpose of this type of accounting is for the proper measurement and control of the services rendered in relation to the user fees required to provide those services. Theoretically, the District should

**WATER WORKS DISTRICT NO. 1, WARD 1**  
**Calcasieu Parish, Louisiana**  
**Notes to the Financial Statements**  
**June 30, 2002 and 2001**

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operate solely from the user fees obtained. This District believes that the Enterprise Fund type more correctly presents this than the other types of fund accounting established for governmental bodies. Despite this presentation the District issued General Obligation Bonds and presents the taxes collected and interest paid for these bonds as other income and expenses.

D. Accrual Accounting is used to measure revenue from operations and expenses due to operations. This means revenue is recorded when earned, not when the cash is received, and that expenses or expenditures are recorded when the obligation to pay arises, not when the obligation is paid.

E. Ad Valorem Taxes (General Obligation Taxes) are recorded as received. The District does not record taxes receivable beyond sixty days of its year end because of the uncertainty of when the unpaid taxes will be collected and the uncertainty that they will be available to satisfy current obligations. As a result since it is unknown if these taxes would be available to pay the current general obligation debt service, they are not recorded as receivable nor otherwise recognized.

F. Bad accounts are written off at the end of each year using the direct write off method. The low amount of uncollectible accounts does not warrant the establishment of an allowance for bad debts against the receivable for water sales. The District considers any final billing that is receivable more than 90 days to be a bad debt. If any recovery is made, the collection is posted as other income. The amount written off as bad accounts for fiscal year 2001 was \$3,396 and the amount for 2002 was \$6,640. Prior to 1992 the District did not discretely present bad debt as a separate amount and netted the bad debt against total revenues presented in its financial statements.

G. Cash, certificates of deposit and investments are with national or state chartered banks. The cost of the certificates of deposit is the face value of the certificates of deposit. This is permitted by Louisiana Law. There were no investments at June 30, 2002 and 2001 other than Certificates of Deposit issued by local area banks.

The District's cash deposits are classified as either collateralized by FDIC Insurance or by collateral held by a third party's safe keeping department and pledged to the District as required by Louisiana State law governing public funds. The coverage of these cash demand and time deposits were:

**WATER WORKS DISTRICT NO. 1, WARD 1**  
**Calcasieu Parish, Louisiana**  
**Notes to the Financial Statements**  
**June 30, 2002 and 2001**

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Per Books:

	<u>2001</u>			
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>	
FDIC Insured	64,231	\$ 100,000	\$ 164,231	
Pledged Collateral	<u>--</u>	<u>2,037,391</u>	<u>2,037,391</u>	
Total	<u>\$ 64,231</u>	<u>\$ 2,137,391</u>	<u>\$ 2,201,622</u>	

	<u>2002</u>			
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>	
FDIC Insured	\$ --	\$ 460,573	\$ 460,573	
Pledged Collateral	<u>39,427</u>	<u>1,883,577</u>	<u>1,923,004</u>	
Total	<u>\$ 39,427</u>	<u>\$ 2,344,150</u>	<u>\$ 2,383,577</u>	

Carry value per banks:

	<u>2001</u>			
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>	
FDIC Insured	\$ 100,000	\$ 100,000	\$ 200,000	
Pledged Collateral	<u>109,960</u>	<u>2,101,622</u>	<u>2,211,582</u>	
Total	<u>\$ 209,960</u>	<u>\$ 2,201,622</u>	<u>\$ 2,411,582</u>	

	<u>2002</u>			
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>	
FDIC Insured	\$ --	\$ 460,573	\$ 460,573	
Pledged Collateral	<u>39,427</u>	<u>1,921,662</u>	<u>1,961,089</u>	
Total	<u>\$ 39,427</u>	<u>\$ 2,382,235</u>	<u>\$ 2,421,662</u>	

**WATER WORKS DISTRICT NO. 1, WARD 1**  
**Calcasieu Parish, Louisiana**  
**Notes to the Financial Statements**  
**June 30, 2002 and 2001**

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Cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

**Category 1** - Deposits are insured or collateralized with securities held by the district or by its agent in the district's name.

**Category 2** - Deposits which are collateralized with securities held by pledging financial institution's trust department or agents in the district's name.

**Category 3** - Deposits which are not collateralized, or were collateralized with securities held by the pledging financial institution, or held by the pledging institution's trust department but not in the entity's name.

Based on the three levels of risk, all of the district's cash deposits are classified as Category 1.

H. Inventories are recorded at cost and are expended as they are consumed on a first-in first-out basis.

I. Fixed Assets are recorded at cost or fair market value if contributed. These assets are depreciated over their estimated useful lives on a straight line basis.

Typical Estimated Lives Used

Buildings	30 years
Improvements other than buildings	30-50 years
Equipment	3-12 years

J. Bond Issue costs are amortized over the term of the issued bonds.

K. Fund Equities are used to account for excess of revenue over expenditures and contributed capital. The District did not account separately prior to the current GAAP principles between contributed capital and retained earnings. Fund equity is divided into restricted and unrestricted. The restricted balance is from taxes collected and restricted grants. The use of the term retained earnings is not used because it is not known what portion of the District's equity is earned and what was contributed by the State and Federal grants over the past thirteen years. It is known that \$21,526 was contributed by the state of Louisiana in 1973, and \$461,000 was contributed by the U.S. Economic Development Commission in 1978, and \$71,716 was a grant in 1987 through 1988 by the State of Louisiana for a fluoridation plant.

**WATER WORKS DISTRICT NO. 1, WARD 1**  
**Calcasieu Parish, Louisiana**  
**Notes to the Financial Statements**  
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L. No compensated absences, sick leave, or vacation are permitted to accrue from one year to the next.

M. For purposes of the statement of cash flows, cash and cash equivalents include any time deposit that has a maturity of less than three months.

**Note 2.-Bonds Payable**

A. The District has three (3) series of bonds. Two (2) series are Water Revenue Bonds, the first dated November 1, 1971, in the amount of \$1,059,000, purchased by the U.S. Department of Housing and Urban Development (HUD) and the second, dated March 1, 1983, in the amount of \$1,100,000, purchased by Farmers Home Administration (FMHA). This last series was refunded as explained below on March 1, 1988 with the proceeds of an advance refunding issued on February 15, 1988. This advance refunding was defeased on June 9, 1992 by a bond issue of \$1,320,000.

The third series is an Ad Valorem (General Obligation) series dated March 1, 1982, in the amount of \$1,200,000.

Total Debt Payable at June 30, 2002 is as follows:

<u>Year Ending</u> <u>June 30</u>	<u>General</u> <u>Obligation</u>	<u>HUD</u>	<u>1995 A</u>	<u>1995 B</u>	<u>Total</u>
2003	-0-	58,140	120,555	94,128	272,823
2004	-0-	58,890	121,950	91,295	272,135
2005	-0-	56,550	123,050	93,435	273,035
2006	-0-	54,210	123,850	90,285	268,345
2007	-0-	51,870	124,260	92,045	268,175
2008	-0-	49,530	124,310	88,470	262,310
2009	-0-	47,190	113,990	99,830	261,010
2010	-0-	44,850	118,860	95,270	258,980
2011	-0-	42,510	118,010	95,590	256,110
2012	-0-	40,170	116,710	95,490	252,370
TOTAL	-0-	503,910	1,205,545	935,838	2,645,293



**WATER WORKS DISTRICT NO. 1, WARD 1**  
**Calcasieu Parish, Louisiana**  
**Notes to the Financial Statements**  
**June 30, 2002 and 2001**

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Total Debt Payable at June 30, 2001 is as follows:

<u>Year Ending</u> <u>June 30</u>	<u>General</u> <u>Obligation</u>	<u>HUD</u>	<u>1995 A</u>	<u>1995 B</u>	<u>Total</u>
2002	182,400	60,300	118,838	96,905	458,443
2003		58,140	120,555	94,128	272,823
2004		58,890	121,950	91,295	272,135
2005		56,550	123,050	93,435	273,035
2006		54,210	123,850	90,285	268,345
2007		51,870	124,260	92,045	268,175
2008		49,530	124,310	88,470	262,310
2009		47,190	113,990	99,830	261,010
2010		44,850	118,860	95,270	258,980
2011		42,510	118,010	95,590	256,110
2012		<u>40,170</u>	<u>116,710</u>	<u>95,490</u>	<u>252,370</u>
TOTAL	<u>182,400</u>	<u>564,210</u>	<u>1,324,383</u>	<u>1,032,743</u>	<u>3,103,736</u>

Under the terms of the bond indenture on outstanding HUD Water Revenue bonds, dated November 1, 1971, all income derived from its operation or ownership shall be deposited to the credit of a special fund to be known as the "Water System Revenue Fund", to be kept separate and apart from all other funds. Such funds shall be maintained so long as any of the bonds are outstanding, in a bank which is a member of the Federal Deposit Insurance Corporation and shall be expended and used only in the manner and order specified below, all as permitted and defined by applicable statutes:

1. Current expenses of the system shall be payable from month to month as a first charge against the Water System Revenue Fund as the same become due and payable. The current expenses of the operation of the system in any year will not exceed the reasonable and necessary amount therefore. Current expenses shall include all reasonable and necessary costs of operating, repairing, maintaining and insuring the system, but shall exclude depreciation, payments into the "*Revenue Bond and Interest*



## **WATER WORKS DISTRICT NO. 1, WARD 1**

**Calcasieu Parish, Louisiana**

**Notes to the Financial Statements**

**June 30, 2002 and 2001**

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*Sinking Fund," the "Revenue Bond Reserve Fund" and the "Replacement Fund".*

2. Transfers shall be made monthly from the *"Water System Revenue Fund"* to the *"Revenue Bond Fund"* of sums sufficient (not less than one-sixth of interest and one-twelfth of principal) to provide for the payment of the next maturing interest on and the principal of the Revenue Bonds.

3. A monthly sum, equal to 20% of that sum transferred to the *"Revenue Bond Fund"*, shall be transferred to a debt service reserve fund, to be designated as the *"Revenue Bond Reserve Fund,"* until such time as the funds and/or investments in the *"Revenue Bond Reserve Fund"* shall equal \$70,000.

4. Monthly amounts of \$1,000 shall be transferred from the *"Water System Revenue Fund"* into the *"Replacement and Extension Fund"* until the balance in the *"Replacement and Extension Fund"* amounts to \$75,000. Said fund shall, thereafter, be maintained in said amount. Monies in the *"Replacement and Extension Fund"* may be withdrawn and used by the District for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, replacements and extensions, and for paying the costs of improvements to the system which will either enhance its revenue-producing capacity or provide a higher degree of service. In the event the available balances in the *"Revenue Bond Reserve Fund"* shall at any principal or interest payment date be insufficient to pay the next installment of principal and/or interest and to maintain the required debt service of \$70,000 then transfers shall be made from said *"Replacement and Extension Fund"* in such amounts as are necessary to eliminate the deficiencies, respectively in said *"Revenue Bond Fund"* and in said *"Revenue Reserve Bond Fund"*.

5. The refunding issue of 1992 has only one covenant pertaining to the sinking and revenue requirements of the District. That requirement is that the District will maintain a ratio of operating income to all revenue bonds debt service of 1.3 times. This ratio does not include depreciation or other non-cash expenses.

B. Changes in Long-Term Debt—The following is a summary of bond transactions of the Water Works District No. 1:

**WATER WORKS DISTRICT NO. 1, WARD 1**  
**Calcasieu Parish, Louisiana**  
**Notes to the Financial Statements**  
**June 30, 2002 and 2001**

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	<u>General Obligation</u>	<u>Revenue</u>	<u>Total</u>
Bonds Payable June 30, 2001	\$160,000	\$2,138,000	\$2,298,000
Bonds Retired	<u>(160,000)</u>	<u>(156,000)</u>	<u>(316,000)</u>
Bonds Payable June 30, 2002	<u>0</u>	<u>1,982,000</u>	<u>1,982,000</u>
Bonds Payable June 30, 2000	300,000	2,289,000	2,589,000
Bonds Retired	<u>(140,000)</u>	<u>(151,000)</u>	<u>(291,000)</u>
Bonds Payable June 30, 2001	<u>160,000</u>	<u>2,138,000</u>	<u>2,298,000</u>
Current Portion:		<u>2002</u>	<u>2001</u>
General Obligation		\$ 0	\$ 160,000
Revenue-HUD 1971		36,000	36,000
Revenue-1995A		70,000	65,000
Revenue-1995B		<u>55,000</u>	<u>55,000</u>
Total Current Bonds Due For the Year Ended June 30		\$ <u>161,000</u>	\$ <u>316,000</u>

General Obligation Bonds:

\$1,200,000 bonds dated April 1, 1982; due in installments of \$15,000-\$160,000 through April 1, 2002; interest at 14% (this issue secured by levy and collections of ad valorem tax).

Revenue Bonds:

\$1,059,000 Water Revenue Bonds (HUD) dated November 1, 1971; due in semiannual installments of \$15,000-\$39,000 through November 1, 2001; interest at 6%.

\$1,320,000 Refunding issue dated June 9, 1992 to defease bond issued for an advance refunding of the 3-1-88 issue in 1988. Semi-annual installments with an average interest rate of 6.688% and varying principal payment until 2002.

**WATER WORKS DISTRICT NO. 1, WARD 1**  
**Calcasieu Parish, Louisiana**  
**Notes to the Financial Statements**  
**June 30, 2002 and 2001**

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**C. Advance refunding of 1983 Revenue Bonds and Defeasement of the 1988 Refunding Issue:**

On February 15, 1988, the District issued \$1.15 million in Revenue bonds with interest rates that advanced from 7% to 10% over the term of the bonds, to advance refund \$1,094,000 of outstanding 1983 Junior Lien Revenue bonds with average interest rate of 11%. The net proceeds \$1,092,923 were used to purchase securities as permitted. These securities were placed in an irrevocable trust with the Calcasieu Marine National Bank, Lake Charles, Louisiana. The bonds were called for refund by March 1, 1988. The outstanding bonds were presented for payment on May 6, 1988 and were canceled by the Trust Agent. The 1983 outstanding bonds ceased to earn interest as of the call date of March 31, 1988. As a result the 1983 issue of bonds were considered to be fully defeased as of March 1, 1988 except for the principal originally due for March 1, 1988. This principal payment of \$2,000 was not paid until December 1988. Although the advance refunding resulted in a present value savings of approximately \$68,814 for the year ending June 30, 1988, the District in effect reduced its aggregate debt service payments by about \$1.28 million over the next twenty-five years.

The District elected not to follow the normal treatment of recording the gain from the extinguishment of debt that resulted either as an ordinary or extra-ordinary item for the year ended June 30, 1988. Nor is this gain to be recorded over the life of the refunding issue. The effect of recording this gain in the District's opinion would distort the actual position of the District and would overstate the District's capital position.

On June 9, 1992, the District issued \$1,320,000 in Revenue bonds with an average interest rate of 6.688% over the term of the bonds, to advance refund \$1,085,000 of outstanding 1988 Advance Refunding bonds 7 to 10%. The net proceeds \$1,265,700 (after payment of \$54,000 in underwriting fees, legal opinion and other issue costs) were used to purchase securities as permitted. These securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1988 Advance Refunding issue. As a result, the 1988 Advanced Refunding issue bonds are considered to be defeased and the liability for those bonds has been removed from the Districts balance sheet and underlying general ledger. The Trust Department of the Premier Bank of Baton Rouge, Louisiana is the escrow agent.

Although the advance refunding resulted in a present value savings of approximately \$68,814 for the year ending June 30, 1992, the District in effect reduced its aggregate debt service payments by about \$159,278 over the next twenty five years despite the increase in bonded debt by \$235,000.

**WATER WORKS DISTRICT NO. 1, WARD 1**  
**Calcasieu Parish, Louisiana**  
**Notes to the Financial Statements**  
**June 30, 2002 and 2001**

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The District elected not to follow the normal treatment of recording the gain from the extinguishment of debt that resulted either as an ordinary or extra-ordinary item for the year ended June 30, 1992. Nor is this gain to be recorded over the life of the refunding issue. The effect of recording this gain in the District's opinion would distort the actual position of the District and would overstate the District's capital position. The increase in debt was recorded as an extra-ordinary item.

**Note 3.-Summary of the changes in Fixed Assets**

	Balance 6-30-00	Add	Delete	Balance 6-30-01
Land	\$ 191,768	\$ 14,143	\$ --	\$ 205,911
Building	197,046	8,095	--	205,141
Water System	7,922,070	711,892	--	8,633,962
Furniture	24,321	--	14,317	24,321
Vehicles	86,449	16,867	--	88,999
Equipment	<u>127,531</u>	<u>--</u>	<u>--</u>	<u>127,531</u>
Total	<u>\$ 8,549,185</u>	<u>\$ 750,997</u>	<u>\$ 14,317</u>	<u>\$ 9,285,865</u>

**WATER WORKS DISTRICT NO. 1, WARD 1**  
**Calcasieu Parish, Louisiana**  
**Notes to the Financial Statements**  
**June 30, 2002 and 2001**

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	Balance <u>6-30-01</u>	Add	Delete	Balance <u>6-30-02</u>
Land	\$ 205,911	\$ 35,869	\$ --	\$ 241,780
Building	205,141	--	--	205,141
Water System	8,633,962	838,441	--	9,472,403
Furniture	24,321	7,482	--	31,803
Vehicles	88,999	54,467	22,921	120,545
Equipment	<u>127,531</u>	<u>31,623</u>	<u>7,927</u>	<u>151,227</u>
Total	<u>\$9,285,865</u>	<u>\$ 967,882</u>	<u>\$ 30,848</u>	<u>\$10,222,899</u>

**Note 4.-Ad Valorem Taxes**

For the years ended June 30, 2001 8 mills was levied on property with assessed valuations of \$22,424,590. This amount was reported net of homestead exemptions and other exempted properties. There was no tax levied for fiscal 2002. The underlying bonds were paid in full during the fiscal year. The tax year is based on the calendar year as follows: The District determines its millage by June 1, the Parish Tax Assessor then, after applying certain procedures required by law, forwards the millage to the Tax Collector for notification and billing. Taxes become delinquent after December 31<sup>st</sup> of the year levied.

**Note 5.-Pension Plan**

The Water Works District No. 1, Ward 1, matches the employees' contributions (up to 5% of gross wages) to obtain purchase money annuities through New York Life Insurance Company. The District has no obligation other than that of paying the current year's liability. The District paid \$13,704 in 2001 and \$14,621 in 2002 as its contribution to the annuities. The District has no obligation for the annuity contracts held by New York Life past, current, or future. Further, the District management is under no obligation to continue its voluntary contributions to each employee's annuity contract.

**WATER WORKS DISTRICT NO. 1, WARD 1**  
**Calcasieu Parish, Louisiana**  
**Notes to the Financial Statements**  
**June 30, 2002 and 2001**

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**Note 6.-Due to State of Louisiana/Act 319**

This liability represents funds advanced to the District for the relocation of water lines due to highway expansion or relocation. This loan is non-interest bearing and is for an indefinite period of time. Traditionally, the State of Louisiana has made these loans and the governmental body is not expected to re-pay these loans. The Louisiana Department of Transportation (DOT) will not permit the District to locate any of its lines on state property until the debt is repaid. This restriction can be waived by the DOT and does when the health or welfare of the District's customers is affected.

**Note 7.-Sales Tax**

Sales taxes are collected by the District on cash received for water fees and paid to the State of Louisiana on a monthly basis. The tax remitted on these collections from water fees for fiscal year 2001 and 2002 are \$47,444 and \$54,018 respectively.

**Note 8.-Litigation**

There was no active, pending or contemplated litigation at June 30, 2002 and 2001.

**Note 9. – Subsequent Events**

The District refunded its outstanding debt in August 2002 and issued new revenue bonds in the amount of \$1,500,000 at the same time. The issues were \$1,990,000 and \$1,500,000 respectively.

**WATER WORKS DISTRICT NO. 1, WARD 1,  
CALCASIEU PARISH, LOUISIANA  
MOSS BLUFF, LOUISIANA**

**SCHEDULE OF FIXED ASSETS AND  
ACCUMULATED DEPRECIATION  
AT JUNE 30, 2001**

	<u>Basis of Assets</u>			
	<u>Balance 6-30-00</u>	<u>Addition</u>	<u>Reduction</u>	<u>Balance 6-30-01</u>
Land	191,768	14,143	-0-	205,911
Building	197,046	8,095	-0-	205,141
Distribution System	4,347,327	593,085	-0-	4,940,412
Water Wells	328,868	-0-	-0-	328,868
Water Plant	2,107,399	118,807	-0-	2,226,206
Water Tank	1,138,476	-0-	-0-	1,138,476
Office Furniture	24,321	-0-	-0-	24,321
Vehicles	86,449	16,867	14,317	88,999
Equipment	127,531	-0-	-0-	127,531
Total	<u>8,549,185</u>	<u>750,997</u>	<u>14,317</u>	<u>9,285,865</u>



## SCHEDULE 1

<u>Accumulated Depreciation</u>			
<u>Balance 6-30-00</u>	<u>Current Depreciation</u>	<u>Reduction</u>	<u>Balance 6-30-01</u>
-0-	-0-	-0-	-0-
85,523	9,545	-0-	95,068
1,773,695	95,145	-0-	1,868,840
202,455	14,699	-0-	217,154
842,143	54,915	-0-	897,058
279,314	28,463	-0-	307,777
15,018	1,074	-0-	16,092
60,069	9,781	12,645	57,205
72,296	9,279	-0-	81,575
<u>3,330,513</u>	<u>222,901</u>	<u>12,645</u>	<u>3,540,769</u>



**WATER WORKS DISTRICT NO. 1, WARD 1,  
CALCASIEU PARISH, LOUISIANA  
MOSS BLUFF, LOUISIANA**

**SCHEDULE OF FIXED ASSETS AND  
ACCUMULATED DEPRECIATION  
AT JUNE 30, 2002**

	<u>Basis of Assets</u>			
	<u>Balance 6-30-01</u>	<u>Addition</u>	<u>Reduction</u>	<u>Balance 6-30-02</u>
Land	205,911	35,869	-0-	241,780
Building	205,141	-0-	-0-	205,141
Distribution System	4,940,412	163,632	-0-	5,104,044
Water Wells	328,868	-0-	-0-	328,868
Water Plant	2,226,206	674,809	-0-	2,901,015
Water Tank	1,138,476	-0-	-0-	1,138,476
Office Furniture	24,321	7,482	-0-	31,803
Vehicles	88,999	54,467	22,921	120,545
Equipment	127,531	31,623	7,927	151,227
Total	<u>9,285,865</u>	<u>967,882</u>	<u>30,848</u>	<u>10,222,899</u>

## SCHEDULE 1A

<u>Accumulated Depreciation</u>			
<u>Balance 6-30-01</u>	<u>Current Depreciation</u>	<u>Reduction</u>	<u>Balance 6-30-02</u>
-0-	-0-	-0-	-0-
95,068	9,646	-0-	104,714
1,868,840	107,450	-0-	1,976,290
217,154	14,699	-0-	231,853
897,058	60,383	-0-	957,441
307,777	28,463	-0-	336,240
16,092	1,504	1,518	16,078
57,205	15,903	22,921	50,187
81,575	11,914	-0-	93,489
<u>3,540,769</u>	<u>249,962</u>	<u>24,439</u>	<u>3,766,292</u>

**WATER WORKS DISTRICT NO. 1, WARD 1,  
CALCASIEU PARISH, LOUISIANA  
MOSS BLUFF, LOUISIANA**

**SCHEDULE 2**

**SCHEDULE OF OPERATING EXPENSES  
FOR THE YEARS ENDED  
JUNE 30, 2001 AND 2002**

	<u>2001</u>	<u>2002</u>
<b>Production and Distribution:</b>		
Personal Services	127,683	148,107
Repairs and maintenance		
Equipment	8,744	8,213
Wells, plant & power	39,682	123,051
Taps & Lines	60,229	47,322
Power	86,588	81,357
Chemical	60,841	42,337
Truck	30,214	21,394
Supplies	2,293	2,659
Equipment Rental	58	69
Total production & distribution expenses	<u>416,332</u>	<u>474,509</u>
<b>General and Administrative:</b>		
Personal service-office	114,913	123,714
Personal service-meter reading	34,563	36,571
Insurance	39,377	56,070
Office operations	13,459	13,401
Computer maintenance and software	7,159	5,260
Payroll taxes	22,868	24,773
Communications	11,169	7,360
Legal and professional	16,241	16,744
Utilities	4,263	4,017
Postage	16,306	18,693
Meeting expenses and per diem	7,399	7,546
Billing and collection	5,043	6,118
Miscellaneous	1,137	2,429
Amortization of bond issue costs	8,064	8,064
Employees benefits	60,776	73,011
Janitorial	9,691	12,524
Printing	457	515
Conferences, workshops & certificates	1,081	804
Bad Debt	3,396	6,640
Total general & administrative expenses	<u>377,362</u>	<u>424,254</u>

**WATER WORKS DISTRICT NO. 1, WARD 1,  
CALCASIEU PARISH, LOUISIANA  
MOSS BLUFF, LOUISIANA**

**SCHEDULE 3**

**CASH BALANCES AT JUNE 30, 2001 AND 2002**

	<u>2001</u>	<u>2002</u>
<b><u>Detail of Cash Accounts and Liquid Investments:</u></b>		
A. Certificates of deposits and savings	1,303,665	734,991
B. Hibernia National Bank-revenue	264,231	180,130
C. Bank-payroll	7,958	12,414
D. Sinking HUD	29,688	29,955
E. Cash on hand	400	600
F. Checking and CD - G.O. sinking account	228,486	51,596
G. Restricted cash - customer deposits	(2,794)	(2,748)
H. Louisiana Investment Pool	369,988	367,794
Total	<u>2,201,622</u>	<u>1,374,732</u>
<b><u>Division of Cash</u></b>		
Restricted:		
A. Reserve for customer deposits	114,855	121,750
B. Sinking fund for bond interest	258,174	81,551
C. Bond extension and replacement	75,000	75,000
D. Bond revenue	70,000	70,000
E. Construction & capital purposes	1,619,362	960,301
Total Restricted Cash	<u>2,137,391</u>	<u>1,308,602</u>
Unrestricted Cash	<u>64,231</u>	<u>66,130</u>
Total Restricted and Unrestricted Cash	<u>2,201,622</u>	<u>1,374,732</u>

**WATER WORKS DISTRICT NO. 1, WARD 1,  
CALCASIEU PARISH, LOUISIANA  
MOSS BLUFF, LOUISIANA**

**SCHEDULE 4**

**SCHEDULE OF COMMISSIONERS'  
PER DIEM AND ATTENDANCE  
FOR THE YEARS ENDED  
JUNE 30, 2001 AND 2002**

Commissioners:	Expiration of term	2001		2002	
		Per Diem	Meetings Attended	Per Diem	Meetings Attended
David Dotson	Sept. 2002	1,440	24	1,440	24
J.R. McCain	Sept. 2006	1,440	24	1,440	24
Haskell Nixon	Sept. 2003	1,440	24	1,440	24
Earl O'Quinn	Sept. 2005	1,440	24	1,440	24
Glen Franklin	Sept. 2004	<u>1,440</u>	<u>24</u>	<u>1,440</u>	<u>24</u>
Total Per Diem		<u><u>7,200</u></u>	<u><u>120</u></u>	<u><u>7,200</u></u>	<u><u>120</u></u>

**WATER WORKS DISTRICT NO. 1, WARD 1,  
CALCASIEU PARISH, LOUISIANA  
MOSS BLUFF, LOUISIANA**

**SCHEDULE 5**

**SCHEDULE OF INSURANCE IN FORCE  
JUNE 30, 2002**

Fire, Lightning and Extended Coverage:

(Subject to 80% Co-Insurance)

Combined Limit:

Buildings	1,000,000
Personal Property	500,000

Comprehensive General and Automobile Liability:

Bodily Injury:

Each person	500,000
Each accident	500,000
Uninsured Motorist	500,000

Standard Workman's Compensation:

(Limits to \$100,000)	500,000
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General Liability and Property Damage:	1,000,000
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Fidelity Bond: (per employee)	10,000
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Public Officials Liability	1,000,000
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Pollution (Limited) Coverage

Each Occurrence	500,000
Aggregate	1,000,000

**WATER WORKS DISTRICT NO. 1, WARD 1  
CALCASIEU PARISH, LOUISIANA  
MOSS BLUFF, LOUISIANA**

**SCHEDULE 6**

**SCHEDULE OF RATES**

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**A. Water Rate Classification and Schedule: (Effective 5-01-02)**

1. Class I - Residential - One (1) user on Owner's property	
Minimum for 0 to 2,000 gallons	\$8.50
Per 1,000 gallons thereafter	\$2.40
2. Class II - Commercial and Industrial	
Minimum for 0 to 5,000 gallons	\$15.00
Per 1,000 gallons thereafter up to 8,000 gallons	\$2.25
Per 1,000 gallons after 8,000 gallons	\$2.30
3. Class III - Trailer Parks and Apartments (Multiple users through one meter)	
Minimum for 0 to 2,000 gallons	\$8.00
Per 1,000 gallons thereafter up to 8,000 gallons	\$2.25
Per 1,000 gallons after 8,000 gallons	\$2.30

**B. Deposits and Service Charges (Revised)**

1. Deposits	
Residential	\$10.00
Residential (renter)	\$75.00
Commercial	\$30.00 TO \$100.00
Fire Hydrant Usage	\$20.00
Industrial (to be determined by Waterworks No. 1)	-0-
2. Service Charges	
Turn on or transfer	\$15.00
After 4:30 p.m. or on weekends	\$30.00
Name change only	\$5.00
Collection charge	\$15.00
NSF Checks	\$25.00
Fire Hydrant Meter Rental (Per day)	\$10.00
Fire Hydrant Meter (Installation)	\$10.00
Plans and Specifications 5,000 Min. (Plus \$2.00 per 1,000' over 5,000')	\$50.00
Inspection fee (\$1.00 per unit/lot) plus base rate of	\$50.00
Tapping Fee (5/8" X 3/4") 3/4", 1-1/2", & 2" (Cost of labor & materials)	\$700.00

**C. The System shall be operated on a fully metered basis.**

**D. No free service will be allowed.**

**E. No dual connection will be allowed (more than  
one user on a single meter) other than specified  
in classifications.**

**WATER WORKS DISTRICT NO. 1, WARD 1,  
CALCASIEU PARISH, LOUISIANA  
MOSS BLUFF, LOUISIANA**

**COMPARATIVE STATEMENTS OF  
REVENUES AND EXPENSES  
FOR THE YEARS ENDED  
JUNE 30, 2002 THRU 1990**

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Operating Revenue					
Water Sales	1,564,639	1,591,896	1,454,152	1,316,715	1,214,843
Service	105,894	99,495	102,300	80,943	91,423
Total	1,670,533	1,691,391	1,556,452	1,397,658	1,306,266
Operating Expenses:					
Production and					
Distribution (A)	724,041	639,233	574,824	570,930	521,276
General and					
Administrative	424,254	377,362	371,267	338,159	302,463
Total	1,148,295	1,016,595	946,091	909,089	823,739
Net Income (Loss) from operations	522,238	674,796	610,361	488,569	482,527
Non-Operating Revenue and (expenses):					
Interest & Taxes	47,335	309,423	251,683	283,511	256,268
Miscellaneous	-0-	-0-	(1,994)	26,674	32,276
Interest Expense	(139,164)	(161,287)	(197,581)	(204,751)	(231,555)
Grant	-0-	-0-	-0-	-0-	-0-
Riverboat Grant Revenue	48,063	105,018	22,662	77,832	-0-
Total	(43,766)	253,154	74,770	183,266	56,989
<b>Net Income (Loss)</b>	<b>478,472</b>	<b>927,950</b>	<b>685,131</b>	<b>671,835</b>	<b>539,516</b>
Customers (active)	6,124	5,901	5,866	5,722	5,566
Customer increase	223	35	144	156	283
Water Consumption in thousand gallons	533,860	559,695	540,595	531,270	520,537

(A) Includes Depreciation



## SCHEDULE 7

<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>
1,162,509	1,062,453	942,400	832,705	796,650	754,978	757,689	729,384
80,185	103,583	69,211	48,220	47,014	32,888	22,166	33,937
1,242,694	1,166,036	1,011,611	880,925	843,664	787,866	779,855	763,321
473,057	573,233	536,816	504,534	522,311	408,470	437,120	460,825
300,451	286,043	274,602	264,989	277,292	272,303	249,046	257,544
773,508	859,276	811,418	769,523	499,603	680,773	686,166	718,369
469,186	306,760	200,193	111,402	44,061	107,093	93,689	44,952
292,384	258,722	232,488	219,870	222,237	218,911	181,023	182,084
17,689	16,292	18,945	42,056	38,856	34,586	23,186	19,176
(237,636)	(268,607)	(236,962)	(249,602)	(234,593)	(282,186)	(295,887)	(303,579)
-0-	-0-	-0-	-0-	-0-	14,209	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
72,437	6,407	14,471	12,324	26,500	(14,480)	(91,678)	(102,319)
541,623	313,167	214,664	123,726	70,561	92,613	2,011	(57,367)
5,283	5,065	4,695	4,500	4,360	4,146	4,035	3,875
218	370	195	140	214	111	160	150
494,830	478,605	426,994	410,381	369,359	381,012	456,630	384,336

**LOUISIANA COMPLIANCE QUESTIONNAIRE  
(For Audit Engagements)**

August 21, 2002 (Date Transmitted)

Steirman & Whitfield, Inc  
P.O. Box 2069  
Orange, TX. 77630

(Auditors)

In connection with your audit of our financial statements as of June 30, 2002  
and for July 1, 2001 through June 30, 2002  
(period of audit) for the purpose of expressing an opinion as to the fair presentation of  
our financial statements in accordance with generally accepted accounting principles, to  
assess our system of internal control as a part of your audit, and to review our  
compliance with applicable laws and regulations, we confirm, to the best of our  
knowledge and belief, the following representations. These representations are based  
on the information available to us as of August 21, 2002 (date  
completed/date of the representations).

**PART I. AGENCY PROFILE**

**1. Name and address of the organization.**

Water Works District No. 1, of Ward 1  
P.O. Box 12549  
Lake Charles, LA. 70612-2549

**2. List the population of the municipality or parish based upon the last official United States Census or most recent official census (municipalities and police juries only). Include the source of the information.**

**3. List names, addresses, and telephone numbers of entity officials. [Include elected/appointed members of the governing board, chief executive and fiscal officer, and legal counsel.**

See Attachment

**4. Period of time covered by this questionnaire:**

July 1, 2001 through June 30, 2002

**5. The entity has been organized under the following provisions of the Louisiana Revised Statute (s) (LSA-RS) and, if applicable, local resolutions/ordinances.**

**6. Briefly describe the public services provided:**

Public Water Supply

**7. Expiration date of current elected/appointed officials' terms.**

5 year terms, staggered so that one expires each year.

## **LEGAL COMPLIANCE**

### **PART II. PUBLIC BID LAW**

8. The provisions of the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office have been complied with.

A) All public works purchases exceeding \$100,000 have been publicly bid.

B) All material and supply purchases exceeding \$15,000 have been publicly bid.

Yes [ x ] No [ ]

### **PART III. CODE OF ETHICS LAW FOR PUBLIC OFFICIALS AND PUBLIC EMPLOYEES**

9. It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.

Yes [ x ] No [ ]

10. It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.

Yes [ x ] No [ ]

### **PART IV. LAWS AFFECTING BUDGETING**

11. We have complied with the budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34.

#### **A. Local Budget Act**

1. We have adopted a budget for the General Fund and all special revenue funds (LSA-RS 39:1301).

2. The chief executive officer, or equivalent, has prepared a proposed budget that included a budget message, a proposed budget for the General Fund and each special revenue fund, and a budget adoption instrument that specified the chief executive's authority to make budgetary amendments without approval of the governing authority. Furthermore, the proposed expenditures did not exceed estimated funds to be available during the period (LSA-RS 39:1304).

3. The proposed budget was submitted to the governing authority and made available for public inspection at least 15 days prior to the beginning of the budget year (LSA-RS 39:1305).

4. To the extent that proposed expenditures were greater than \$250,000, we have made the budget available for public inspection and have advertised its availability in our official journal. The advertisement included the date, time, and place of the public hearing on the budget. Notice has also been published certifying that all actions required by the Local Government Budget Act have been completed (LSA-RS 39:1306).

5. The proposed budget was made available for public inspection at the location required by LSA-RS 39:1307.

6. All action necessary to adopt and finalize the budget was completed prior to year end. The adopted budget contained the same information as that required for the proposed budget [LSA-RS 39:1304(c) .

7. After adoption, a certified copy of the budget has been retained by the chief executive officer or equivalent officer (LSA-RS 39:1308).

8. The chief executive officer or equivalent notified in writing the governing authority during the year when actual receipts plus projected revenue collections for the year failed to meet budgeted revenues by five percent or more, or when actual expenditures plus projected expenditures to year end exceeded budgeted expenditures by five percent or more (LSA-RS 39:1310). (Note, state law exempts from the amendment requirements special revenue funds with anticipated expenditures of \$250,000 or less and exempts special revenue funds whose expenditures drive revenue recognition-primarily federal funds.)

9. The governing authority has amended its budget when notified, as provided by LSA-RS 39:1310 (LSA-RS 39:1309).

Yes [ ☒ ] No [ ☐ ]

**B. State Budget Requirements**

1. The state agency has complied with the budgetary requirements of LSA-RS 39:34.

Yes [ ☒ ] No [ ☐ ]

**C. Licensing Boards**

1. The licensing board has complied with the budgetary requirements of R. S. 39:1331-1342.

Yes [ ☐ ] No [ ☐ ]

**PART V. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING LAWS**

12. We have maintained our accounting records in such a manner as to provide evidence of legal compliance and the preparation of annual financial statements to comply with LSA-RS 24:514, 24:515, and/or 33:463.

Yes [ ☒ ] No [ ☐ ]

13. All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes [ ☒ ] No [ ☐ ]

14. We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:463, and/or 39:92, as applicable.

Yes [ ☒ ] No [ ☐ ]

15. We have had our financial statements audited in a timely manner in accordance with LSA-RS 24:513.

Yes [ ☒ ] No [ ☐ ]

**PART VI. ASSET MANAGEMENT LAWS**

16. We have maintained records of our general fixed assets and movable property, as required by LSA-RS 24:515 and/or 39:321-332, as applicable.

Yes [ ☒ ] No [ ☐ ]

**PART VII. FISCAL AGENCY AND CASH MANAGEMENT LAWS**

17. We have complied with the fiscal agency and cash management requirements of LSA-RS 39:1211-45 and 49:301-327, as applicable.

Yes [ ☒ ] No [ ☐ ]

**PART VIII. DEBT RESTRICTION LAWS**

18. It is true we have not incurred any long-term indebtedness without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.

Yes [ ☒ ] No [ ☐ ]

19. We have complied with the debt limitation requirements of state law (LSA-RS 39:562).

Yes [ ☒ ] No [ ☐ ]

20. We have complied with the reporting requirements relating to the Fiscal Review Committee of the State Bond Commission (LSA-RS 39:1351).

Yes [ ☒ ] No [ ☐ ]

**PART IX. REVENUE AND EXPENDITURE RESTRICTION LAWS**

21. We have restricted the collections and expenditures of revenues to those amounts authorized by Louisiana statutes, tax propositions, and budget ordinances.

Yes [ ☒ ] No [ ☐ ]

22. It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.

Yes [ ☒ ] No [ ☐ ]

23. It is true that no property or things of value have been loaned, pledged, or granted to anyone in violation of Article VII, Section 14 or the 1974 Louisiana Constitution.

Yes [ ☒ ] No [ ☐ ]

**PART X. QUESTIONS FOR SPECIFIC GOVERNMENTAL UNITS**

Police Juries

24. We have adopted a system of road administration that provides as follows:

- A. Approval of the governing authority of all expenditures, LSA-RS 48:754(A).
- B. Development of a capital improvement program on a selective basis, LSA-RS 48:754(A)&(B).
- C. Centralized purchasing of equipment and supplies, LSA-RS 48:754(A).
- D. Centralized accounting, LSA-RS 48:754(A).

- E. A construction program based on engineering plans and inspections, LSA-RS 48:754(A)&(B).
- F. Selective maintenance program, LSA-RS 48:754(A)&(B).
- G. Annual certification of compliance to the legislative auditor, LSA-RS 48:757(C)  
Yes [ ] No [ ]

#### School Boards

25. We have complied with the general statutory, constitutional, and regulatory provisions of the Louisiana Department of Education, LSA-RS 17:51-401.  
Yes [ ] No [ ]
26. We have complied with the regulatory circulars issued by the Louisiana Department of Education that govern the Minimum Foundation Program.  
Yes [ ] No [ ]

#### Tax Collectors

27. We have complied with the general statutory requirements of LSA-RS 47, Chapter 4.  
Yes [ ] No [ ]

#### Sheriffs

28. We have complied with the state supplemental pay regulations of LSA-RS 33:2218.8.  
Yes [ ] No [ ]
29. We have complied with LSA-RS 33:1432 relating to the feeding and keeping of prisoners.  
Yes [ ] No [ ]

#### District Attorneys

29. We have complied with the regulations of the Louisiana Department of Social Services that relate to the Title IV-D Program.  
Yes [ ] No [ ]

#### Assessors

30. We have complied with the regulatory requirements found in Title 47 of the Louisiana Revised Statutes.  
Yes [ ] No [ ]



31. We have complied with the regulations of the Louisiana Tax Commission relating to the reassessment of property.

Yes [ ] No [ ]

Clerks of Court

33. We have complied with LSA-RS 13:751-960.

Yes [ ] No [ ]

Libraries

34. We have complied with the regulations of the Louisiana State Library.

Yes [ ] No [ ]

Municipalities

35. Minutes are taken at all meetings of the governing authority. LSA-RS 42:7.1 (Act 665 of 1976).

Yes [ ] No [ ]

36. Minutes, ordinances, resolutions, budgets, and other official proceedings of the municipalities are published in the official journal. LSA-RS 43:143-144 and A.G. 82-383.

Yes [ ] No [ ]

37. All official action taken by the municipality is conducted at public meetings. LSA-RS 42:4.1-12 (Act 665 of 1976).

Yes [ ] No [ ]

Airports

38. We have submitted our applications for funding airport construction or development to the Department of Transportation and Development as required by LSA-RS 2:802.

Yes [ ] No [ ]

39. We have adopted a system of administration that provides for approval by the department for any expenditures of funds appropriated from the Transportation Trust Fund, and no funds have been expended without department approval (LSA-RS 2:810).

Yes [ ] No [ ]

40. All project funds have been expended on the project and for no other purpose (LSA-RS 2:810).

Yes [ ] No [ ]

41. We have certified to the legislative auditor, on an annual basis, that we have expended project funds in accordance with the standards established by law (LSA-RS 2:811).

Yes [ ] No [ ]

#### Ports

42. We have submitted our applications for funding port construction or development to the Department of Transportation and Development as required by LSA-RS 34:3432.

Yes [ ] No [ ]

43. We have adopted a system of administration that provides for approval by the department for any expenditures of funds made out of state and local matching funds, and no funds have been expended without department approval (LSA-RS 34:3460).

Yes [ ] No [ ]

44. All project funds have been expended on the project and for no other purpose (LSA-RS 34:3460).

Yes [ ] No [ ]

45. We have established a system of administration that provides for the development of a capital improvement program on a selective basis, centralized purchasing of equipment and supplies, centralized accounting, and the selective maintenance and construction of port facilities based upon engineering plans and inspections (LSA-RS 34:3460).

Yes [ ] No [ ]

46. We have certified to the legislative auditor, on an annual basis, that we have expended project funds in accordance with the standards established by law (LSA-RS 34:3461).

Yes [ ] No [ ]

#### Sewerage Districts

47. We have complied with the statutory requirements of LSA-RS 33:3881-4159.

Yes [ ] No [ ]

#### Waterworks Districts

48. We have complied with the statutory requirements of LSA-RS 33:3811-3836.

Yes [ x ] No [ ]

#### Utility Districts

49. We have complied with the statutory requirements of LSA-RS 33:4161-4533.

Yes [ ] No [ ]



**Drainage and Irrigation Districts**

50. We have complied with the statutory requirements of LSA-RS 38:1601-1707 (Drainage Districts); LSA-RS 38:1751-1904 (Gravity Drainage Districts); LSA-RS 38:1991-2048 (Levee and Drainage Districts); or LSA-RS 38:2101-2123 (Irrigation Districts), as appropriate.

Yes [ ] No [ ]

**Fire Protection Districts**

51. We have complied with the statutory requirements of LSA-RS 40:1491-1505.

Yes [ ] No [ ]

**Other Special Districts**

52. We have complied with those specific statutory requirements of state law applicable to our district.

Yes [ ] No [ ]

**Quasi-Public Corporations**

53. We have complied with the award or grant restrictions relating to our receipt of public funds.

Yes [ ] No [ ]

The previous responses have been made to the best of our belief and knowledge.

<u>J. R. MCCAIN</u>	Secretary <u><i>Justin R. McCain</i></u>	Date <u>8/21/02</u>
	Treasurer	Date
<u>HASKELL NIXON</u>	President <u><i>Haskell Nixon</i></u>	Date <u>8/21/02</u>

## **ATTACHMENT**

### **BOARD COMMISSIONERS**

J.R. McCain	1794 Sam Houston Jones Pkwy, Lake Charles, LA 70611	(337-855-7564)
Earl O'Quinn	2870 Topsy Rd., Lake Charles LA. 70611	(377-855-4232)
Haskell Nixon	2529 Topsy Rd., Lake Charles, LA. 70611	(337-855-4055)
David Dotson	466 Stella Dr., Lake Charles, LA 70611	(337-855-3756)
Glen Franklin	1797 South Borel Dr., Lake Charles, LA 70611	(337-855-3447)

### **SUPERINTENDENT:**

Gerald Hoffpauir	1101 Athens Drive, Lake Charles, LA 70611	(337-855-6346)
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### **LEGAL COUNSEL:**

Robert Kleinschmidt	P.O. Box 3209, Lake Charles, LA 70602	(337-437-3400)
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CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS  
109 CAMELLIA  
P.O. Box 2069  
ORANGE, TEXAS 77631  
TELE: (409) 883-3350  
FAX: (409) 883-7904

JOEL E. STEIRMAN, CPA  
JANE M. WHITFIELD, CPA

swcopc@exp.net

## **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners  
Water Works District No. 1, Ward 1  
Calcasieu Parish, Louisiana  
Lake Charles, Louisiana

We have audited the general purpose financial statements of Water Works District No. 1, Ward 1, Calcasieu Parish, Louisiana as of and for the year ended June 30, 2002 and 2001, and have issued our report thereon dated November 18, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **COMPLIANCE**

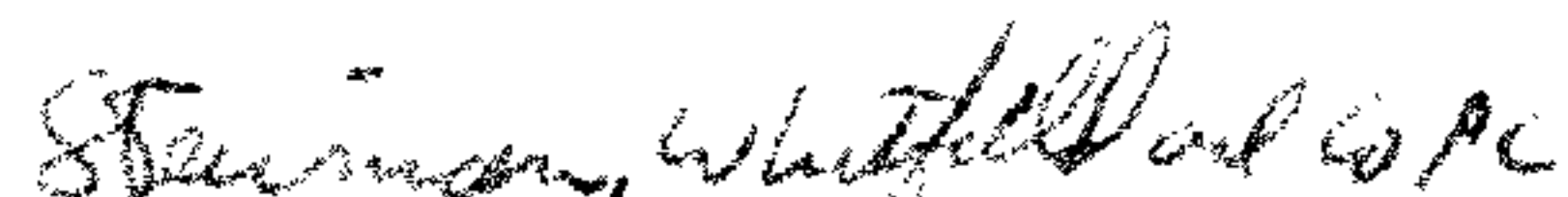
As part of obtaining reasonable assurance about whether Water Works District No. 1, Ward 1, Calcasieu Parish, Louisiana's general purpose financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances on noncompliance that are required to be reported under *Government Auditing Standards*.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered Water Works District No. 1, Ward 1, Calcasieu Parish, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely

period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the District's Board of Commissioners, the District's management, the Louisiana Legislative Auditor, Calcasieu Parish Police Jury and, if applicable, federal awarding agencies and pass-through entities of both the federal and state governments and is not intended to be and should not be used by anyone else than these specified parties.

  
Steirman, Whitfield and Co. PC  
Certified Public Accountants  
November 18, 2002



CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS  
109 CAMELLIA  
P.O. Box 2069  
ORANGE, TEXAS 77631  
TELE: (409) 883-3350  
FAX: (409) 883-7904

JOEL E. STEIRMAN, CPA  
JANE M. WHITFIELD, CPA

swcopc@exp.net

## MANAGEMENT LETTER

Board of Commissioners  
Water Works District No. 1, Ward 1  
Calcasieu Parish, Louisiana

In planning and performing our audit of the general purpose financial statements of Water Works District No. 1, Ward 1, Calcasieu Parish, Louisiana for the years ended June 30, 2002 and 2001, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Water Works District No. 1, Ward 1, Calcasieu Parish, Louisiana's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted no reportable conditions that we believe to be material weaknesses.

### **Prior Year's Findings—**

#### **Finding No. 1 –**

Condition: The District's insurance policies have not been critically reviewed by a professional risk management professional. Although the independent agent that brokers the District's

insurance policies does provide assistance, the policies have low deductibles and only provide for reimbursement at a fair market value (depreciated value).

Criteria: The District should have an active risk management program to insure that all aspects of Risk affecting the continued operation of the District are analyzed and that adequate resources are included in the risk management program.

Effect: A claim during the year resulted in the District receiving insurance to pay for the fair value of an office rug and not replacement cost. A claim for more significant loss could result in a greater economic loss to the District due to a poorly designed risk management program.

Recommendation: The District should hire a professional risk management consultant to analyze the District's risks and establish an on going risk management program.

Status: The District's Superintendent performed a review of the District's risks and adjusted the insurance to meet the District's current risks.

## **Finding No. 2 –**

Condition: The practice of dividing the estimated amounts to be deducted from employees pay for insurance and retirement over twenty six pay periods resulted in uneven amounts due either the employee or the District. Additionally the payroll deductions were not reconciled to the amounts deducted and then remitted on behalf of the employees to tract the amounts either due by the employee or the District to the employee.

Criteria: All payroll deductions should be reconciled and easily tracked to both the authorizing documents and the payment of the amounts deducted to third parties.

Effect: During the test of accounts it was determined that there was a lack of adequate documentation to support money deducted from employees pay and then remitted to third parties for insurance and retirement. We found only a minor error for one employee and corrective action has been taken in that situation.

Recommendation: That the policies and procedures for payroll deductions be revised to insure that each months payment can be easily and directly traced to the employees' payroll journal. All deduction made for retirement or insurance should be made either once or no more frequently than twice a month.

Status: The payroll liability accounts were not reconciled during the year. The effect of not reconciling the amounts were not material to the financial statements, however, we strongly recommend that the retirement, insurance, and payroll tax accounts be reconciled each month to the general ledger by the payroll clerk and a worksheet provided to the Superintendent.

## **Current Year's Findings—**

### **Finding No. 1 –**


**Condition:** The computerized billing and collection system could not produce cumulative reports of transactions to prove the totals recorded in the general ledger. The general ledger reported revenue on a cash collected basis during the year and no entry was made to adjust accounts receivable until year end.

**Criteria:** The District presents its financial statements on the Unitary Proprietary Fund basis. Accordingly, revenue should be recorded on the accrual basis and not the cash basis during the year.

**Effect:** The difference is minimal as to materiality during the year, however, adjustments made at year end are material to the accounts receivable balance.

**Recommendation:** That the monthly books be prepared on the full accrual basis and proper segregation of the different classes of income be recorded, i.e., water fees, late payment penalties, collection charges, tapping fees, and other charges should be reported discretely each month. Further a reconciliation of accounts receivable should be done daily and the balance reconciled to the general ledger each month as part of the monthly closing of the books.

This report is intended solely for the information and use of the Board of Commissioners of the Water Works District No. 1, Ward 1, Calcasieu Parish, Louisiana, management, and others within the administration. This restriction is not intended to limit distribution of this report, which is a matter of public record.

  
Steirman, Whitfield and Co. PC  
Certified Public Accountants  
November 18, 2002



**WATERWORKS DISTRICT NO. 1, WARD 1, CALCASIEU PARISH, LOUISIANA**  
**CORRECTIVE PLAN OF ACTION**  
**FOR THE YEAR ENDED JUNE 30, 2002**

<b>SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS</b>	
None	N/A
<b>SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS</b>	
NO FEDERAL AWARDS	
<b>SECTION III MANAGEMENT LETTER</b>	
FY 2001 Finding 1 – The District should review and revise its risk management plan.	The District will consider employing a Risk Management Consultant to review the current insurance coverages and in conjunction with that review the District will create and implement a responsive Risk Management Plan for all Risks.
FY 2001 Finding 2 – The payroll deductions were being computed and deducted on an annual basis for insurance and retirement. This resulted in amounts due the individual or the district when the amounts being deducted changed.	The Superintendent has instructed the Office Manager to prepare a reconciliation at the end of each month of the payroll deductions to the amounts remitted or retained by the District on behalf of the employees and the District for all payroll deductions.
FY2002 Finding 1 – The books were not being kept on the full accrual basis and no entry was made to accounts receivable during the year. Further there was no reconciliation between the subsidiary ledger and the general ledger for accounts receivable each month.	The District's Superintendent has instructed his personnel to report revenues on the full accrual basis starting with the December 2002 books and to immediately begin a daily reconciliation of the original transactions to the balances recorded in the computerized billing and collections system. Finally, the accounts receivable balance per the computer will be reconciled to the general ledger monthly.

End of Corrective Plan of Action



**WATERWORKS DISTRICT NO. 1, WARD 1, CALCASIEU PARISH, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2002**

We have audited the financial statements of Waterworks District No. 1, Ward 1, Calcasieu Parish, Louisiana as of and for the year ended June 30, 2002, and have issued our report thereon dated November 18, 2002. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2002 resulted in an unqualified opinion.

**Section I Summary of Auditors' Reports**

**A. REPORT ON INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.**

**Internal Control**

Material Weaknesses ☐ Yes ☒ No

Reportable Conditions ☐ Yes ☒ No

**Compliance**

Compliance Material to Financial Statements ☐ Yes ☒ No

**B. FEDERAL AWARDS**

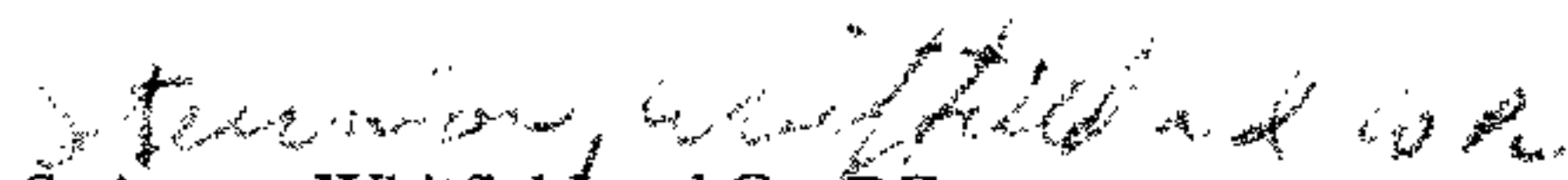
None – Not applicable

**C. IDENTIFICATION OF MAJOR PROGRAMS**

None – Not applicable

**Section II Financial Statement Findings**

None of the issues communicated to the Governing Board did we consider as reportable conditions as established by professional standards. The items we did communicate to the Board were of such a nature as to require consideration and action as deemed necessary by the Governing Board. None of these issues in and of themselves would have affected the financial recording and reporting system to a degree as to cause the financial statements to be misleading or incomplete.

  
Steirman, Whitfield and Co. PC  
Certified Public Accountants  
November 18, 2002